

No. 18258

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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McCULLOUGH TOOL COMPANY,

*Petitioner,*

*vs.*

COMMISSIONER OF INTERNAL REVENUE,

*Respondent.*

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## PETITION FOR REHEARING.

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*To the Honorable Richard H. Chambers, Chief Judge,  
Stanley N. Barnes, Circuit Judge, Jesse W. Cur-  
tis, Jr., District Judge.*

McCullough Tool Company, on the grounds here-  
after stated, hereby petitions for a rehearing on the  
judgment entered June 11, 1963:

1. Petitioner, after a careful reading of the Opin-  
ion, believes this Court was under a misapprehension  
as to one crucial fact in the record. This misap-  
prehension of fact was the belief that, under the terms  
of the license agreements as modified, petitioner's ob-  
ligation to pay was conditioned upon the seller's per-  
formance. In actuality, the license agreements as modi-  
fied, contain the two features described below which

make each agreement “an instrument which *by its terms purports to evidence* an unconditional promise to pay.” Hence each agreement as modified is a “note” within the definition adopted by this Court in its Opinion filed herein:

A. The first feature is that under paragraph “1” the licensors “hereby grant” the patents to petitioner. This is not a promise to deliver a license agreement or an assignment at some future time. It is *in itself* a present, self-effecting, complete transfer of an interest. After signing the agreement, there was nothing further for the licensors to do. This is a crucial fact and the one with respect to which we believe this Court was under a misapprehension. Had this Court been aware that the license agreements as modified contained self-effecting assignments placing no further obligations on the licensors, we feel the Court would not have concluded as it did on the final page of its Opinion that “according to their terms, the obligation to pay was conditioned upon performance by the sellers.”

B. The second feature is that in paragraph “6” as modified, the taxpayer “agrees” to pay a specified sum on a specified day of each month for a specified period of time.

2. Upon rehearing, petitioner desires to present argument directed to the following points as well as all other points which the Court may consider pertinent:

A. That a simple test showing petitioner's obligation to pay was not conditioned upon performance by the sellers is to ask how the licensors would have pleaded an action against petitioner for non-payment. Petitioner will submit that such a cause of action would be completely stated by merely pleading the execution of the agreements as modified, plus the fact of non-payment. Would the licensors have to plead the performance of any conditions? No. There are no such conditions.

B. That while prior to modification the license agreements might have imposed various obligations upon the licensors, any such obligations were eliminated by the modification agreements. Petitioner, immediately upon the signing of the agreements, automatically took all property rights to the patents which, together with all drawings, specifications, and claims, are matters of public record and therefore available to the public.

C. That the termination clause in the original agreement is inconsistent with the later modification agreement. Petitioner's right under the original agreements to give up the patents thereby avoiding future payments, which payments were to be computed on a "use" basis, was inconsistent

with petitioner's obligation under the modification agreements to pay fixed sums not measured by use. In this regard, petitioner urges that while sellers and petitioner *could* have agreed that the licensors must repurchase at petitioner's option, *they did not do so*. How much would licensors have to pay petitioner on such a repurchase? If the answer doesn't appear in the agreements, then the parties certainly did not agree upon a repurchase provision.

Respectfully submitted,

HANNA & MORTON,  
HAROLD C. MORTON,  
EDWARD S. RENWICK,

In Association With:

Wilson B. Copes,  
Wellman P. Thayer,  
James E. Harrington,  
*Attorneys for Petitioner.*

**Certificate.**

Undersigned counsel certifies that this petition is not interposed for delay and that in his judgment it is well founded.

Dated: July 3, 1963.

EDWARD S. RENWICK,  
*One of the attorneys for Petitioner.*

**Certificate.**

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

EDWARD S. RENWICK,

